GENERAL AGREEMENT ON
TARIFFS AND TRADE

Committee on Balance-of-Payments Restrictions

1964 CONSULTATIONS UNDER ARTICLE XIV:4 WITH
THE REPUBLIC OF SOUTH AFRICA

International Monetary Fund Executive Board Decision
Taken at the Conclusion of the Fund's Consultation
with the Republic of South Africa on 11 March 1964

1. The Government of the Republic of South Africa has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements. The Fund took the occasion of these consultations to review again the other restrictive practices of South Africa.

2. The economy has expanded rapidly in the past two years. Gross national product in the first half of 1963 rose at an annual rate of close to 8 per cent in value and the slack in the economy has been greatly reduced. Prices have remained fairly steady with the aid of a substantial rise in imports. A further increase in domestic expenditure is foreseen in 1964 and shortages of certain types of skilled labor, and some cost increases, may develop.

3. The surplus in the external current account was much smaller in 1963 than in 1962 largely because of the rise in imports. There was some slackening in the net outflow of capital in 1963. Total reserves continued to rise in the first three quarters of 1963, but at a slower rate than in the two previous years, and at the end of September 1963 amounted to R 570 million ($798 million), representing some five months' imports.

4. In order to preserve a satisfactory rate of growth under conditions of price and cost stability, the Fund considers some adaptations in policy, including import policy, may become necessary in the coming months. As far as financial policies are concerned, some diminution in their over-all expansionary influence, particularly in the field of public expenditure, would seem appropriate in view of the present state of the economy.
5. Restrictions on imports were further relaxed in 1963 but the control system remains complex. The Fund notes the intention of the South African authorities, if the balance of payments continues to improve, to remove effective import restrictions, with the possible exception of certain restrictions which may be necessary for other than balance of payments reasons. In accordance with this intention and in view of the strength of its balance of payments and reserve position, the Fund believes that South Africa should proceed to eliminate as soon as possible restrictions maintained for balance of payments reasons.

6. In concluding the 1963 consultations, the Fund has no other comments to make on the exchange system of the Republic of South Africa.